



State of Wisconsin
Department of Health and Family Services

Jim Doyle, Governor
Helene Nelson, Secretary

Graduate Medical Education

	FY 04		FY 05	
	GPR	All Funds	GPR	All Funds
MA Expenditures	\$ (11,890,000)	\$ (28,592,000)	\$ (11,890,000)	\$ (28,588,600)

Description of Proposal

- Eliminate the MA Graduate Medical Education fee-for-service reimbursement for Wisconsin teaching hospitals.

Background

- The Graduate Medical Education (GME) reimbursement supports a hospital's costs for training interns and residents.
- Under Wisconsin's fee-for-service Medicaid (MA) program, approximately 34 hospitals are eligible for GME adjustments to inpatient hospital rates.
- The GME adjustment is comprised of a direct and an indirect medical education reimbursement.
- The direct medical education (DME) adjustment supports hospital costs for salaries and fringe benefits of interns, residents and teaching physicians.
- The indirect medical education (IME) adjustment is based on "teaching intensity." Teaching intensity is measured primarily by the ratio of interns and residents to hospital beds.
- Approximately 74% of Wisconsin's MA GME funding is paid to four hospitals.
- GME payments are funded from three sources: 1) approximately \$11 million of general program revenue (GPR) per year, 2) \$750,000 of program revenue (PR) from a hospital assessment, and 3) approximately \$17 million of federal revenue (FED).

Rationale for Proposal

- Rising costs in the state's MA program, particularly under current budget conditions, compel the Department to identify cost savings in MA benefits.
- GME payments do not directly benefit MA patients since reimbursement is not dependent on direct services to MA recipients.
- The indirect medical education payment may compensate hospitals in excess of their actual medical education costs.

- Under federal Medicaid law, GME payments are optional. Wisconsin Medicaid is not required to reimburse hospitals for medical education costs.
- This proposal affects few hospitals; 74% of GME payments are made to only four hospitals. These hospitals are profitable overall.
- Wisconsin MA previously eliminated GME payments to out-of-state teaching hospitals, e.g. border status teaching hospitals in Minnesota, Iowa and Illinois.
- Medicare supports Wisconsin teaching hospitals through payment of direct and indirect GME costs.
- National survey data shows increased profit margins for all Wisconsin hospitals. Between 1997 and 2001, in the aggregate the Wisconsin hospital industry's profit margin increased from approximately 7.2% to 7.8%. Hospital operational margins also increased from approximately 5.4% to 6.7%.